

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6519

BILL NUMBER: HB 1434

NOTE PREPARED: Mar 5, 2004

BILL AMENDED: Mar 4, 2004

SUBJECT: Microenterprise Program and STAR Account.

FIRST AUTHOR: Rep. Crawford

FIRST SPONSOR: Sen. Server

BILL STATUS: Enrolled

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: *Microenterprise Partnership Program:* The bill requires the Indiana Economic Development Council to establish a Microenterprise Partnership Program to provide grants to community-based or nonprofit organizations for the purpose of providing business development services and loans to businesses with fewer than five employees. The bill transfers responsibilities for the Enterprise Development Program and the Small and Minority Business Financial Assistance Program to the Indiana Economic Development Council. The bill renames the Enterprise Development Fund as the Microenterprise Partnership Program Fund.

STAR Account: The bill creates the State Technology Advancement and Retention (STAR) Account to advance technology and retain graduates in Indiana by funding certain grant programs.

Effective Date: Upon passage; July 1, 2004.

Explanation of State Expenditures: *Microenterprise Partnership Program:* The bill renames the existing Enterprise Development Fund as the Microenterprise Partnership Program Fund and transfers the administrative responsibility for the Fund from the Indiana Small Business Development Corporation (SBDC) to the Indiana Economic Development Council (IEDC). The bill also transfers the administration of existing loan and loan guarantee programs (including the Nontraditional Entrepreneur Program and the Small and Minority Business Financial Assistance Program) from the SBDC to the IEDC. In addition, the bill requires the IEDC to establish the Microenterprise Partnership Program beginning July 1, 2004. Under the program, the IEDC would make grants of up to \$25,000 to community-based or nonprofit organizations that provide loans and certain services to "microenterprises. The bill defines a microenterprise as a business that has fewer than 5 employees. The bill provides that one of the purposes of the Microenterprise Partnership Program Fund (the Enterprise Development Fund under current statute) is to carry out the Microenterprise Partnership

Program.

While additional staffing could potentially be required to manage the Microenterprise Partnership Program, the cost of any additional staffing would be paid from money in the Microenterprise Partnership Program Fund. The IEDC is temporarily administering the loan and loan guarantee programs of the SBDC, and the Indiana Development Finance Authority is assisting in servicing loans.

Background: The Microenterprise Partnership Program is required to provide grants to “microloan delivery organizations - community-based or nonprofit programs that: (1) have developed a viable plan for providing training, access to financing, and technical assistance to microenterprises; and (2) that meet other criteria and qualifications specified in the bill for grant recipients. Under the bill, grants may be used by microloan delivery organizations to: (1) satisfy matching requirements for federal or private grants; (2) establish a revolving loan fund to make loans to microenterprises; (3) establish a guaranty fund to guarantee loans made by a commercial lender to a microenterprise; and (4) pay operating costs associated with administering a loan, loan guaranty, or revolving loan program, or providing business training and technical assistance to loan recipients. However, the bill prohibits more than 10% of a grant from being used for operating costs. In addition, the bill requires at least 50% of the loan money disbursed by the microloan delivery organization to be in loans not exceeding \$10,000.

Under current statute, the Enterprise Development Fund (to be renamed the Microenterprise Partnership Program Fund under the bill) is required to be administered by the SBDC. However, due to staffing insufficiencies the IEDC is temporarily administering the Fund, and the loan and loan guarantee programs of the SBDC. These responsibilities would be transferred permanently to the IEDC. Under current statute, the Enterprise Development Fund is a revolving fund for the purpose of providing loans approved by the SBDC; of providing loans and loan guarantees under the Small and Minority Business Financial Assistance Program; and paying the costs of administering these programs. According to the IEDC, the balance in the Fund as of February 29, 2004, totaled \$1,765, 306. However, according to the IEDC, \$1.0 M of the current balance could potentially be utilized for loans under existing programs.

STAR Account and Spending of STAR Account Funds: The bill establishes the State Technology Advancement and Retention (STAR) Account within the state General Fund. The Account consists of money, including federal money, appropriated by the General Assembly and any gifts or grants. **This bill does not contain an appropriation to the STAR Account.** The bill provides that an appropriation, a gift, or a grant may be designated for one or more purposes listed below. Money in the STAR Account reverts to the state General Fund. The bill allows expenses for administration of the STAR Account, and of programs funded from the STAR Account, to be paid from the STAR Account. However, these payments may not exceed 2% of the balance in the Account. The bill provides that the State Budget Agency must approve administrative expenses taken from the account. Under the bill, the money in the STAR Account is annually dedicated to:

- (1) the Certified School to Career Program and Grants.
- (2) the Certified Internship Program and Grants.
- (3) the Indiana Economic Development Partnership Fund.
- (4) Minority Training Program Grants.
- (5) Technology Apprenticeship Grants.
- (6) the Back Home in Indiana Program.
- (7) the Indiana Schools Smart Partnership.
- (8) the Scientific Instrument Project.
- (9) the Coal Technology Research Fund.

Certified School to Career Programs and Grants: The bill authorizes the Department of Workforce Development (DWD), in consultation with the Department of Education (DOE), to certify school to career programs that provide job training, classroom instruction, and employment to secondary and postsecondary students. These students must be 16 to 24 years of age, and participation in the school to career program must be a part of the students' secondary or postsecondary school education. The bill allows the DWD to impose an application fee on entities applying to sponsor a certified program. The fee is to be used by the DWD to defray the costs of processing the application and investigating the applicant. The bill authorizes the DWD to issue a grant from funds in the STAR Account to an employer that employs a participant in a certified school to career program in an amount determined by the DWD. The bill provides that the grants are subject to approval by the State Budget Agency.

Certified Internship Programs and Grants: The bill authorizes the DWD, in consultation with the DOE, to certify internship programs operated by public and private institutions of higher learning for part-time and full-time students. A certified internship program must integrate curriculum with career internships, place students in career internships with employers providing supervision and payroll and personnel services the same as for regular part-time employees. The bill authorizes the DWD to issue a grant from funds in the STAR Account to an employer that employs at least one student through a certified internship program in an amount determined by the DWD. The bill provides that the grants are subject to approval by the State Budget Agency.

Indiana Economic Development Partnership Fund: This fund exists under current statute to provide grants for certain economic development initiatives. The bill shifts administration of grant application and approval procedures to the Indiana Department of Commerce under agreement with the State Budget Agency (SBA). (The SBA currently fulfills these functions.) The bill also requires the SBA to contract with Purdue University for staff support in providing grants relating to the expansion of the Purdue Technical Assistance Program and the Purdue Rural/Community Economic Development Regional Outreach Program. The bill expands certain purposes for grants from this fund. A noncode provision of the bill requires that during FY 2005 grants of \$200,000 from money in the STAR Account that is dedicated to the Indiana Economic Development Partnership Fund be made to the East Central Indiana Technology Transfer Program administered by Ball State University and the Southwestern Indiana Technology Transfer Program administered by Southern Indiana University. The grants are to be used in establishing and operating technology talent programs. **This bill does not contain an appropriation for these grants.**

Minority Training Program Grants: The State Human Resource Investment Council is required to develop a program to provide grants to minority training programs for minority students. The bill provides that the grants are to be paid from money in the STAR Account. The grants must be used for programs to enhance training in technology advancement for minority students and for generalized training programs for minority students. The bill provides that the grants are subject to approval by the State Budget Agency.

Back Home in Indiana Program: The State Human Resource Investment Council is required to develop a program to provide for grants or contracts to develop the Back Home in Indiana Program. The bill provides that the grants are to be paid from money in the STAR Account. The Program must track graduates of Indiana public and private colleges and universities; and periodically contact graduates regarding job opportunities in Indiana. The bill provides that the grants are subject to approval by the State Budget Agency.

Technology Apprenticeship Grants: The bill requires the Department of Education (DOE), in consultation with the Department of Labor, to develop a grant program to provide grants for apprenticeships in the area of technology. The bill provides that the grants are to be paid from money in the STAR Account. The bill requires the agencies to develop standards for the issuance of grants to business and unions that are working

to enhance the apprenticeship skills of apprentices. The bill provides that the grants are subject to approval by the State Budget Agency.

Smart Partnership Grants: The bill requires the Department of Workforce Development (DWD) to establish guidelines for making grants to the Indiana Schools Smart Partnership. The bill provides that the grants are to be paid from money in the STAR Account. The Partnership is established to create partnerships between school and local businesses to make math and science relevant to students. The bill provides that the grants are subject to approval by the State Budget Agency.

Coal Technology Research Fund: This Fund exists under current statute to provide money for the Center for Coal Technology Research. Under current statute the State Budget Agency administers the Fund.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Indiana Small Business Development Corporation; Indiana Economic Development Council; Department of Education; Department of Workforce Development; Indiana Department of Commerce; Department of Labor; State Human Resource Investment Council.

Local Agencies Affected:

Information Sources: M. Jacqueline Nytes, President, Indiana Economic Development Council, (317) 234-2114.

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